SOUTH WASHINGTON COUNTY SCHOOLS
SCHOOL BOARD
7362 East Point Douglas Rd S.
Cottage Grove, MN 55016

ADMINISTRATIVE REPORT

DATE:	June 11, 2026
TOPIC:	#5.2 - Guiding Change for Budget Adjustments
PRESENTER:	Julie Nielsen, Superintendent
REFERENCE TO POLICY/STATUTE:	Policy 701

A. **PURPOSE OF REPORT**
   a. To review, discuss and make adjustments to the Guiding Change Document (GCD) that has been drafted for the Budget Adjustment Process.
   b. The GCD serves as a way to bring clarity to the roles of school board governance and administrator who are managing the day to day process.
   c. The GCD clearly outlines the current reality, the results we are striving for and the unacceptable means.
   d. District administration is prepared to create a package that prioritizes $13M dollars worth of adjustments to be implemented for school year 2027-2028.
   e. As a result of our work with budget adjustments, there will be items and work that will be moved forward to planning for our next five years.

B. **RECOMMENDATION**
   a. Discussion

C. **CONNECTION TO STRATEGIC PRIORITY**
   a. Operations, Staffing, and Finance

District Budget Adjustment Guiding Change Document
June 2026

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The Current Reality	Unacceptable Means It will be unacceptable to:	Results
• The state legislature sets the basic aid formula every two years. For FY '26 we receive $7,481 per pupil and it is set to increase to $7,682 (2.69%) for FY '27. • Our current Fund Balance is $57M or approximately 2 months of operating costs. • We are currently meeting the requirements of Board Policy 701.2 that outlines having a 16.6% fund balance. • The revised FY' 26 budget has the district deficit spending by $1.5M. With that deficit, we are still expecting to meet Board Policy 701.2. • Expenses continue to rise at a rate faster than the revenue we receive. It costs more to provide the same thing. • Birth rates are decreasing. Kindergarten classes for 2026 are entering with an enrollment of 1200 students and graduating classes are 1500 students.	• Bring forth a plan that creates inequities in learning opportunities between schools and across grade levels. • Propose a plan that places the school district in statutory operating debt. • Continue operations at the elementary level with 3,000 open seats across the district. • Sell a school or leave an existing school vacant. • Plan for repurposing of a school without communicating what the purpose will be. • Consider outsourcing transportation without a true understanding of cost savings.	• The district will work to have comparable spaces across the district's buildings and facilities. • Address open seats at the elementary level with intent to repurpose spaces for other uses and sell any district or leased spaces. • Achieve a sustainable five year financial forecast, while maintaining a fund balance that keeps us out of statutory operating debt as defined by Minnesota Department of Education (MDE). • The district plan will reflect a priority of the core student experience and maintaining class size and specialized support as much as possible. • District systems will be reorganized to operate effectively within new, tighter financial constraints. • Aligning the workforce with current enrollment numbers and program

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• The enrollment or decline in enrollment of 84 students equates to the increase or loss of revenue of approximately $1M. • We will not be able to levy our way out of the need to make adjustments, they must occur. • Based on our community survey, parents expressed concern about class sizes. • Residents believe housing and student enrollment growth will continue. • There is uncertainty from our community if the District has sufficient space to meet future growth. • While an 10-year operating referendum was successfully passed in 2021 with inflation, the amount has not kept pace with rising costs and the amount is $216 below the state mandated cap. • The capital projects levy is in place as well, but there is yet $3.7M of General Fund eligible costs which remain funded with General Fund dollars. • Salaries and benefits continue to increase. For 2027, this equates to $11M dollars of	• Lease a portion of a school building for another purpose while serving students in the same location.	needs rather than maintaining historical staffing levels. • Maintaining a "safety net" of services that support the social, emotional, and physical health of students even during a contraction. • Maintain taxpayers trust by providing ongoing communication and frequent updates regarding all aspects of the district's finances. • Continue to recruit, develop and retain high quality staff. • The budget adjustments will be approved by the Board in November 2026, as leaders recognize that changes to daily routines require lead time for family planning. • The district will maintain a dedicated communication stream to share public input summaries and detailed explanations of proposed changes. • Create an ongoing process to monitor system additions and the cost

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additional expenditures. Make up 78%ish of our budget ● Health insurance premiums for employees have increased by 10% in 2024, 23% in 2025 and 9% in 2026. ● If we do not make adjustments now, our fund balance will decrease by the following amounts over the next 3 years: ○ FY 2026; ($1.5M) ○ FY 2027; ($13M) ○ FY 2028; ($27M) ● The enrollment count has been impacted by the loss of students to charter/private and choice schools at the secondary level (300 students) for FY '26. ● A new elementary school will open within our district boundaries in the Fall of '27 and will have an impact on district enrollment. It is anticipated that elementary enrollment will decrease by approx. 300 students ● Currently we have approx 2,000 open seats in our elementary schools across 16 locations in Woodbury, Cottage Grove, Newport and St. Paul Park.		efficiencies in programs, services, schools and other district buildings. ● District leaders will monitor and track all approved adjustments and report back to the board each year on the actual amounts saved. ● Any future adjustments that cannot be completed within a November 2026 time frame, would be moved to considerations or implementation as part of the 5 year planning process.

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• Recent negotiations have reflected upward wage pressure due to inflation and increasing health care costs.		